



Semi-Annual Report to Shareholders

The interim financial statements of the company for the six month period ended June 30, 1970 show increased operating revenues of \$8,518,639, up 8% from \$7,868,421 in the first half of 1969. Operating expenses in the corresponding period increased 9% to \$6,216,016 from \$5,691,956. Net profit for the period, before the extraordinary item, increased to 33.5¢ per share from 31¢ for the comparable period in 1969. The company has sold certain vessels to a subsidiary company as permitted by provisions of the Income Tax Act of Canada. Although no gain or loss has been reflected in these consolidated financial statements in respect of this sale, deferred income taxes of \$4,094,085 provided in prior years are no longer required. The escrowed funds arising from the transaction are being sold at a discount, for which an estimated provision of \$1,204,305 has been made. The net amount of \$2,889,779 has been included as an extraordinary item in the consolidated income account.

Cash flow per share was 94¢, compared to 93¢ generated in the same period of 1969. Shareholders' equity increased to \$29,523,082 or \$9.09 per share at June 30th of this year, an increase of 13% from \$8.01 at June 30th, 1969. The dividend rate was increased in June of this year from 8¢ quarterly to 10¢.

Results of the rail division for the first half of 1970 showed an overall decrease of some 2%, although shipments of steel products and manufactured goods increased by 10%. A decline in ore shipments from Wawa was due mainly to the use of Steep Rock iron ore during the tax-free period in the Sault Ste. Marie plant of Algoma Steel. This ore moved by vessels, in which traffic your company participated. Forest product traffic has again decreased although it is expected that some of this traffic may be regained during the latter part of 1970. All vessels in the steamship division have been fully utilized to date and with the continuing movement of Canadian grain, the outlook for the last half of 1970 is promising. As mentioned in our 1969 report, the company ordered another self-unloading vessel, of 22,000 tons capacity, similar to those now in use. This vessel has been named the "Agawa Canyon" and delivery is expected to be early in November, thus contributing to earnings during the last weeks of the current shipping season.

Plans for the development of the waterfront property at Sault Ste. Marie have continued and it is expected that a presentation of our proposals for land use will be made in the near future.

While it is always difficult to predict future earnings, we look forward to a much improved year in 1970.

Chairman

President

Sault Ste. Marie, Canada, August 26, 1970

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Semi-Annual Report to Shareholders

For the six months
ended June 30, 1970

FINANCIAL RESULTS (unaudited) for six months to June 30

INCOME ACCOUNT

	1970	1969
Operating revenues	\$ 8,518,639	\$ 7,868,421
Operating expenses	6,216,016	5,691,956
Operating income	2,302,623	2,176,465
Deduct:		
Other income charges (net)	288,483	202,993
Income—before provision for income taxes	2,014,140	1,973,472
Estimated income taxes	923,998	968,845
Income for the period before extraordinary items	1,090,142	1,004,627
Deferred taxes no longer required less provision for discount on escrowed funds	2,889,779	—
Reduction of income taxes arising from donation of rights on reverted lands	—	2,967,782
Net income for the period	\$ 3,979,921	\$ 3,972,409

SOURCE AND APPLICATION OF FUNDS

Source of funds:		
Net income for the period before extraordinary items	\$ 1,090,142	\$ 1,004,627
Depreciation	1,027,691	1,044,279
Deferred income taxes	923,998	968,845
Funds from operations	3,041,831	3,017,751
Proceeds from disposal of fixed assets	2,085	2,020
Term loan	4,270,213	—
	7,314,129	3,019,771
Application of funds:		
Additions to fixed assets	3,764,824	589,140
Discount on escrowed funds sold	119,625	—
Reduction in long-term debt:		
5% bonds	187,000	494,000
5% debentures	19,000	234,000
Term loan	2,100,000	200,000
Dividends	584,798	519,820
Increase in deferred assets net of deferred liabilities	158,069	216,291
Exploration and development expenditures	83,983	193,573
	7,017,299	2,446,824
INCREASE IN WORKING CAPITAL	296,830	572,947
WORKING CAPITAL AT BEGINNING OF PERIOD	1,389,275	1,103,775
WORKING CAPITAL AT END OF PERIOD	\$ 1,686,105	\$ 1,676,722

Highlights for Six month Period

	1970	1969
Net income after taxes:		
Before extraordinary item	\$ 1,090,142	\$ 1,004,627
Including extraordinary item	3,979,921	3,972,409
Expenses to operating revenues	73.0%	72.3%
Earnings per share:		
Before extraordinary item	33.5¢	.31¢
Including extraordinary item	\$ 1.22	\$ 1.22
Cash flow per share	.94¢	.93¢
Shareholders' equity	\$29,523,082	\$26,008,600
Equity per share	\$ 9.09	\$ 8.01
Depreciation	\$ 1,027,691	\$ 1,044,279
Plant and equipment additions	\$ 3,764,824	\$ 589,140